

Amend Section 11-405 to read:

11-405 FISCAL AND FINANCIAL AUDITS (Continued)

11-405

.2 Financial Audits (Continued)

.21 Audit Report Requirements (Continued)

.213 (Continued)

- (a) Beginning April 1, 2003, for those non-profit corporations that expend \$300,000 or more in combined federal funds for all of its programs and activities during the non-profit corporation's fiscal year, the audit must be conducted annually according to the standards contained in federal Office and Management Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The non-profit corporation's financial audit report, including copies of any management letters issued by the independent auditor as a result of the audit, shall be submitted to the Department annually within the earlier of 30 days after receipt of the independent auditor's report or nine months after the end of the non-profit corporation's most recent fiscal year. (Continued)
- (b) For a non-profit corporation that expends less than \$300,000 in combined federal funds for all of its programs and activities during the non-profit corporation's fiscal year, the audit must be conducted according to *Government Auditing Standards* as specified in Section 11-405.213. The non-profit corporation's financial audit report, including copies of any management letters issued by the independent auditor as a result of the audit, shall be submitted to the Department at least once every three years on a schedule determined by the Department within the earlier of 30 days after receipt of the independent auditor's report or six months after the end of the non-profit corporation's most recent fiscal year.
- (1) For each and every year in which a financial audit report is not required, the non-profit corporation shall submit to the Department cost data reported on the applicable Group Home Program Cost Report, SR 3, (12/02) Group Home Program Payroll and Fringe Benefit Report, SR 4, (12/02) and the Total Program Cost Display, FCR 12FFA, (12/02) which may be unaudited or audited. The cost data to be reported for a year in which a financial audit report is required shall be audited and submitted in accordance with Section 11-405.214.

- (A) The reported cost data shall be consistent with the entity's most recent fiscal year and shall be submitted within six months of the non-profit corporation's fiscal year ending date.
  - (B) Completed cost data reports and other documentation to support AFDC-FC program expenditures shall be maintained for at least five years.
- (2) The Department may require the non-profit corporation which is under corrective actions as specified in a management decision letter or which has been found by the Department to have committed misuse or fraud to submit a financial audit report more frequently than once every three years on a schedule determined by the Department.
  - (A) The Department shall provide prior written notice to a non-profit corporation when it is requiring submission of a financial audit report more frequently than once every three years.
  - (B) The written notice shall set forth the basis for the requirement to submit a financial audit more frequently than once every three years, the date the additional financial audit report is due to the Department, and other conditions for submitting the financial audit report.
  - (C) Any financial audit report required under this paragraph shall comply with the standards set forth in Section 11-405.21.
  - (D) A non-profit corporation who does not submit an acceptable audit report by the date specified in the Department's notice shall be subject to rate termination under Section 11-402.393.
  - (E) Financial audits required under this paragraph shall not be eligible for cost reimbursement under Section 11-405.22.
- (3) For each and every year in which a financial audit report is not required, the non-profit corporation shall provide a written certification stating that the combined federal funds received from all sources for the most recent fiscal year was less than \$300,000. The Federal Revenue Certification, SR 9, (05/03), shall be used to provide this certification. The completed SR 9 certification form shall be signed and dated by the executive director or authorized board officer and shall be submitted to the Department within six months of the non-profit corporation's fiscal year ending date.

- (4) When a non-profit corporation that is on a triennial financial audit reporting schedule receives total federal revenue in excess of \$300,000 during a fiscal year for which a financial audit report is not scheduled, it shall report this federal revenue to the Department within three months from the end of the non-profit corporation's fiscal year. A financial audit shall be conducted and the corresponding report shall be submitted to the Department in accordance with Section 11-405.213(a).

.214 (Continued)

.215 The audit shall cover the corporation's most recent fiscal year, as defined by the corporation, with the following exceptions:

- (a) Notwithstanding Section 11-405.21, a non-profit corporation that has been incorporated fewer than 12 calendar months by the end of its first fiscal year in which it received AFDC-FC funds shall not be required to submit a financial audit report. A financial audit shall be conducted on the non-profit corporation's next full fiscal year of operation and the financial audit report shall be submitted to the Department along with the required cost data in accordance with Section 11-405.21. (Continued)

## .22 Financial Audit Cost Reimbursement

Corporations which operate foster family agencies providing treatment services which receive less than \$300,000 in combined federal funds in their most recent fiscal year and/or group home programs with a total licensed capacity of 12 or less which receive less than \$300,000 in combined federal funds in their most recent fiscal year may be eligible for reimbursement of the costs of financial audits on a sliding scale basis, as shown in Sections 11-405.223(a) and (b) below. Reimbursement is subject to the availability of funds and may be authorized only once every three years for the financial audit report specified in Section 11-405.213(b).

.221 Corporations which operate eligible programs may apply for financial assistance related to the costs of the financial audit by forwarding to the Department the financial audit report, a completed Financial Audit Report Transmittal, SR 8, (Rev.4/03), the invoice for the cost of procuring the audit, documentary evidence that the invoice was paid, certification that combined federal funds received in the most recent fiscal year was less than \$300,000 and any other relevant documents needed to validate the claim for reimbursement. (Continued)

.223 Schedules for Audit Cost Reimbursement

- (a) For corporations which operate a group home program or programs with a combined licensed capacity of 12 beds or less and which receive less than \$300,000 in combined federal funds in their most recent fiscal year, the amount of reimbursement shall be based on the program with the lowest capacity as shown below: (Continued)
- (b) For corporations which operate a foster family agency providing treatment services, with or without a group home, and which receive less than \$300,000 in combined federal funds in their most recent fiscal year, the amount of reimbursement shall be based on gross annual revenues from all sources for the audit period, as follows:

FFA (Continued)	Amount Reimbursed	Gross Annual Revenues
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Authority cited: Sections 10553, 10554, 11460(b), and 11466.21, Welfare and Institutions Code.

Reference: Sections 11466.21 and 11466.22, Welfare and Institutions Code; Public Laws 98-502 and 104-156; Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; *Government Auditing Standards* of the Comptroller General of the United States (Yellow Book); and Department of Health and Human Services, Administration for Children and Families letters dated April 19, 2001, February 22, 2002 and May 7, 2002.

Amend Section 11-406 to read:

Post hearing: Amend Section 11-406(f)(1) grammatically to read:

11-406      DEFINITIONS – FORMS      (Continued)

11-406

The following forms are incorporated by reference:

- (f)    (1)    Financial Audit Report Transmittal, SR 8, (Rev. 4/03) – This form is used by a non-profit corporation to transmit the financial audit report to the Department. In addition, the form must be used by a non-profit corporation which submits a claim for the costs of a financial audit. ~~¶~~The completed and signed form would provide the necessary certification that total federal revenue received from all sources for the corporation's most recent fiscal year was less than \$300,000.
- (2)    Federal Revenue Certification, SR 9, (05/03) – This form is used by a non-profit corporation to certify that combined federal funds received from all sources for the corporation's most recent fiscal year was less than \$300,000. (Continued)

Authority cited:            Sections 10553 and 10554, Welfare and Institutions Code.

Reference:                Sections 11466.21 and 15658, Welfare and Institutions Code.